



Consolidated Statement of Source and Application of Funds

For the six months ended February 28, 1974

	1974	1973
Funds Provided		
<i>Operations</i>		
Net income for the period	\$ 214,000	\$ 201,000
Deferred income taxes	223,000	195,000
Depreciation on miscellaneous fixed assets	11,000	11,000
Written off against investment in associated companies	17,000	14,000
Depreciation on leased vehicles	5,597,000	4,586,000
Sale proceeds on leased vehicles	2,786,000	2,225,000
	8,848,000	7,232,000
<i>Borrowed funds</i>		
Net increase in loans of subsidiaries	421,000	487,000
Increase (decrease) in bank demand loan	284,000	(140,000)
	705,000	347,000
	\$9,553,000	\$7,579,000
Funds Applied		
Purchase of leased vehicles	\$8,776,000	\$6,935,000
Net increase in miscellaneous fixed assets	21,000	30,000
Net change in receivables less payables	678,000	435,000
Investment in associated companies	28,000	43,000
Cash dividends	67,000	64,000
	9,570,000	7,507,000
Increase (decrease) in cash	(17,000)	72,000
	\$9,553,000	\$7,579,000

Peterson, Howell & Heather (Canada) Limited

Interim Report to Shareholders
For the Six Months to
February 28, 1974

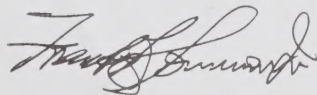
To Our Shareholders:

For the first six months, activity in all aspects of the Company's fleet management and leasing services continued to show a satisfactory growth trend.

Net rental income on the leased fleet at \$1,844,000 increased by 14.7% from the year ago level. During the latter half of 1973, there was a sharp increase in short-term interest rates and by April, 1974, these rates were at a new all-time high. While rental rates have been increased to reflect these higher interest rates, they only take effect as vehicles are added or replaced. On the other hand, the higher interest rates have a more immediate impact on the Company's interest expense. For the first six months, interest expense of \$966,000 represented an increase of 19.7% or \$159,000 on the corresponding period of last year.

Operating expenses increased by \$58,000 or 11.4% as compared to the first six months of the previous year. After full provision for income taxes, the net income from Canadian operations at \$231,000 showed an increase of \$16,000 or 7.4%. After allowing for our share of the start-up loss of the British operation, net income for the period was \$214,000 as compared with \$201,000 for the six months to February 28, 1973. Earnings per share at 32¢ compare with 30¢ for the previous year.

Dividends of 5¢ per share on the Class A and Class B shares were paid in respect of each of the first two quarters. In the corresponding quarters last year, dividends were paid at the rate of 4³/₄¢ per share. Today, your Directors declared a third quarterly dividend of 5¢ per share payable May 27, 1974 to shareholders of record May 17, 1974.

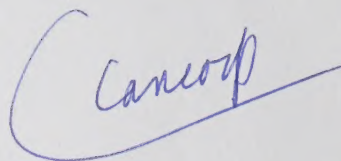


F. B. Common, Jr., Q.C.
Chairman of the Board



L. P. Rogers
President

April 25, 1974



Consolidated Statement of Income

For the six months ended February 28, 1974

	1974	1973
Income from vehicle rentals	\$7,441,000	\$6,193,000 ✓
Less depreciation on leased vehicles	5,597,000	4,585,000
Net rental income	1,844,000	1,608,000
Fees from management services	144,000	119,000 ✓
	1,988,000	1,727,000
Interest expense	966,000	807,000
Operating expenses	568,000	510,000
	1,534,000	1,317,000
Income before income taxes	454,000	410,000
Income taxes	223,000	195,000
Net income — Canadian operations	231,000	215,000
Company portion of loss of overseas associated companies	17,000	14,000
✓ Net income for the period	\$ 214,000	\$ 201,000
✓ Earnings per share	32¢	30¢